



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

August 15, 2008

Kim Holland
Program Director
Glendale Community College Professional Development Center
2340 Honolulu Avenue
Montrose, CA 91020

Dear Ms. Holland:

Enclosed is our final report relative to our review of Glendale Community College Professional Development Center's compliance with the Employment Training Panel Agreement No. ET03-0253 for the period of February 3, 2003 through February 2, 2005.

Also enclosed is a demand letter for payment of costs disallowed in the review report. Payment is due upon receipt of this letter. If you wish to appeal the review findings, you must follow the procedure specified in Attachment A to the review report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact me at (916) 327-5439.

Sincerely,

Original Signed By:

Charles Rufo
Audit Director

Enclosures

Glendale Community College Professional Development Center

Agreement No. ET03-0253

Final Review Report

For the Period

February 3, 2003 through February 2, 2005

Report Published August 15, 2008

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ET03-0253.fn1

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REVIEW REPORT

Summary

We reviewed Glendale Community College Professional Development Center's compliance with Agreement No. ET03-0253, for the period February 3, 2003, through February 2, 2005. Our review pertained to training costs claimed by the Contractor under this Agreement. Our review was performed during the period September 19, 2006 through January 4, 2007.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$1,955,990. Our review supported \$1,951,760.50 is allowable. The balance of \$4,229.50 is disallowed and must be returned to ETP. The disallowed costs resulted from eight trainees who were subject to a substantial contribution, one trainee who did not meet post-training retention requirements, and three trainees who were not eligible for the small business hourly reimbursement rate. In addition, we noted an administrative finding regarding the inaccurate reporting of trainee wage rates.

REVIEW REPORT (continued)

Background

This Agreement is the twenty-eighth training project between ETP and Glendale Community College Professional Development Center (Glendale). In past projects, Glendale has trained 25,000 workers from 3,700 Southern California employers in its seventeen year history with the Panel.

To better serve participating employers, Glendale plans to train employees from mostly small and medium-sized businesses in multiple disciplines. With a multiple discipline contract, the flexibility to meet the training demands of each participating employer is greatly increased. Glendale plans to offer two main training programs in Computer Skills and Continuous Improvement. Glendale also as to provide training in three smaller programs - AutoCAD (Computer Aided Design), Hazardous Materials, and CAD/CAM (Computer Aided Manufacturing) Advanced Technology training.

This Agreement allowed Glendale to receive a maximum reimbursement of \$2,638,796 for retraining 2,666 employees. During the Agreement term, the Contractor placed 1,966 trainees and was reimbursed \$1,955,990 by ETP.

Objectives, Scope, and Methodology

We performed our review by authority of Title 22 California Code of Regulations, Sections 4443 and 4448. Our scope was limited to reviewing the Contractor's compliance with trainee eligibility and post-training requirements specified in the Agreement. We did not review the Contractor's records for compliance with training attendance or other Agreement requirements.

Specifically, our review scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

Conclusion

As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported \$1,951,760.50 of the \$1,955,990 paid to the Contractor under this Agreement is

REVIEW REPORT (continued)

allowable. The balance of \$4,229.50 is disallowed and must be returned to ETP.

Views of Responsible Officials

The review findings were discussed with Kim Holland of Glendale Community College Professional Development Center, during a telephone exit conference held on April 25, 2007. Ms. Holland agreed with the audit findings and to bypass the draft review report but requested ETP waive interest on the disallowed costs [Note: Manager's review added Trainee No. 1 to Finding No. 1 for an additional \$333 in disallowed costs]. The Contractor was informed that any request for waiver of interest, except as noted below, must be made through an audit appeal.

The issuance of your final review report has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning May 3, 2007, through the issue date of this final audit report. The interest waiver (adjustment) was \$529.48, which was deducted from the total accrued interest.

Appeal Rights

If you wish to appeal the review findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this review report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

Records

Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later."

Charles Rufo
Audit Director

Fieldwork Completion Date: January 4, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET03-0253 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Review Results

GLENDALE COMMUNITY COLLEGE PROFESSIONAL DEVELOPMENT CENTER

AGREEMENT NO. ET03-0253

FOR THE PERIOD

FEBRUARY 3, 2003 THROUGH FEBRUARY 2, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 1,955,990</u>	
Costs Disallowed:		
Substantial Contribution Not Applied	2,219.00	Finding No. 1
Post-Training Retention Requirements Not Met	1,112.00	Finding No. 2
Ineligible Small Business Rate	898.50	Finding No. 3
Inaccurate Reporting	<u>-</u>	Finding No. 4
Total Costs Disallowed	<u>\$ 4,229.50</u>	
Training Costs Allowed	<u><u>\$ 1,951,761</u></u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Substantial Contribution Not Applied

Documentation reviewed by ETP Auditor showed payment of the full cost per trainee for 8 trainees, in which a substantial contribution should have been applied. Thus, we disallowed costs of \$2,219, as described below.

Title 22 California Code of Regulations (CCR), Section 4410 (a) states that a substantial contribution of not less than 30 percent of the total Panel training and administrative costs, ... shall be imposed on any employer for retraining at a facility which previously benefited, directly or indirectly, from Panel funding under at least two prior Panel agreements at the same facility in the amount of \$250,000 or more. Section (b) states that a substantial contribution of not less than 50 percent shall be assessed on any subsequent agreements, beginning with the fourth agreement, for retraining at the same facility.

Three participating employers were identified as being subject to this provision since they previously benefited from ETP funds exceeding \$250,000 within the previous five years, as indicated from their California Employer Account Numbers (CEAN). Hydro-Aire, Inc. and Warner Brothers (30 percent) and Easton Sports (50 percent) were thus subject to a substantial contribution, which was not applied to the 8 trainees. ETP had notified Glendale of the required substantial contribution for trainees employed by Hydro-Aire, Inc. and Easton Sports, Inc. on Invoices 1 and 12, respectively. The table below identifies the employer, amount paid (cost per trainee), substantial contribution rate, and training costs disallowed per trainee:

Trainee No.	Job No.	Employer	Amount Paid	Substantial Contribution Rate	Training Costs Disallowed
1	1	Warner Brothers	\$1,112	30%	\$333
2	3	Hydro-Aire, Inc.	\$556	30%	\$166
3	3	Hydro-Aire, Inc.	\$556	30%	\$166
4	7	Hydro-Aire, Inc.	\$1,668	30%	\$500
5	3	Hydro-Aire, Inc.	\$556	30%	\$166
6	1	Easton Sports, Inc.	\$1,112	50%	\$556
9	3	Hydro-Aire, Inc.	\$556	30%	\$166
10	3	Hydro-Aire, Inc.	\$556	30%	\$166
Total Costs Disallowed					\$2,219

Recommendation Glendale must return \$2,219 to ETP. In the future, both ETP and Glendale should ensure that a substantial contribution is imposed on applicable employers and is consistent with Title 22 CCR 4410.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Post-Training Retention Requirements Not Met	<p>Employment information shows that one trainee did not meet post-training retention requirements. Therefore, we disallowed \$1,112 in training costs claimed for this Job No. 1 trainee.</p> <p>Exhibit A, Paragraph VII. of the Agreement states that each trainee must be employed full-time, at least 35 hours per week with a single participating employer for a period of at least 90 consecutive days. Title 22 California Code of Regulations (CCR), Section 4401.5(a) states: “An employer is eligible for Panel funding... if it is subject to payment of the California Unemployment Insurance (UI) tax.”</p> <p>Glendale reported Trainee No. 8 completed retention from March 17, 2004, to June 15, 2004. The employer of Trainee No. 8 reported the trainee was transferred to the company's Corporate Office located in Dallas, Texas, on May 13, 2004. An employer located in Texas is not subject to California Unemployment Insurance (UI) tax, and therefore is ineligible for Panel funding. As a result, Trainee No. 8 did not meet the 90-day retention period requirement.</p>
Recommendation	<p>Glendale must return \$1,112 in training funds to ETP. In the future, Glendale should ensure that trainees meet post-training retention requirements prior to claiming reimbursement from ETP.</p>

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 3 – Glendale received the small business reimbursement rate for 3 Job
Ineligible Small No. 26 trainees who were actually employed by a large business
Business Rate (>100 employees). As a result, we disallowed the additional small
business training costs of \$898.50 (3 trainees x \$299.50).

Title 22 California Code of Regulations (CCR), Section 4411(a) states in part: "...standardized fixed-fee rates per hour may vary depending on the training delivery method (e.g., classroom/laboratory), complexity of the training, size of employer served, and the type of trainee (e.g., retrainee) receiving training." Exhibit A, Chart 1, page 15 of 17, of the Agreement identifies Job No. 26 was established for small businesses with 100 or fewer full-time employees. Trainees placed in Job No. 26 were to receive 160 training hours, including 80 hours of Advanced Technology training. The small business and Advanced Technology training reimbursement rates for this Agreement were \$20 per hour, and the standard training reimbursement rate was \$13 per hour.

Three Job No. 26 trainees (Trainee Nos. 7, 11, and 12) were employed by Avibank Manufacturing, Inc., who employed more than 500 full-time employees at the start of the Agreement and was subject to a 50 percent substantial contribution rate. Since 80 of the 160 training hours were reimbursed at the Advanced Technology rate, only the remaining 80 non-Advanced Technology training hours were reimbursed incorrectly at the small business rate. Thus, Glendale was reimbursed \$855.50 at the small business rate for 80 training hours instead of \$556 for 80 hours at the standard training rate of \$13 per hour. As a result, Glendale received an overpayment of \$299.50 per trainee (\$855.50 - \$556).

Recommendation Glendale must return \$898.50 to ETP. In the future, the Contractor should ensure that employers with more than 100 full-time employees are not enrolled in job numbers designated for small business employers.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 4 – Trainee hourly wage rates reported by Glendale on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements.

Inaccurate
Reporting

Paragraph 2(d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in form and manner prescribed by ETP.” Accurate, complete trainee wage rate information is required to verify compliance with Exhibit A, Paragraph VII. A. of the Agreement. This section states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates for 69 trainees. Actual wage rates were identified from employer payroll records or written confirmations provided by employers. Trainee wage rates reported by Glendale varied by more than 5 percent from the actual wage rates for 16 of the 69 trainees (23 percent).

Recommendation In the future, Glendale should ensure all trainee data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP.

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006

ATTACHMENT B - Table of Disallowed Trainees

GLENDALE COMMUNITY COLLEGE PROFESSIONAL DEVELOPMENT CENTER

AGREEMENT NO. ET03-0253

FOR THE PERIOD

FEBRUARY 3, 2003 THROUGH FEBRUARY 2, 2005

TRAINEE NO.	NAME	JOB NO.	INVOICE NO.	FINDING NO.	DISALLOWED COSTS
1	Bersabal, Nona	1	5	1	\$ 333
2	Cheng, Jason	3	7	1	\$ 166
3	Flores, Otto	3	7	1	\$ 166
4	Garcia, Maria	7	7	1	\$ 500
5	Haigh, Mark	3	7	1	\$ 166
6	Hernandez, Enemecio	1	6	1	\$ 556
7	Lemus, Jose	26	12	3	\$ 299.50
8	Maxwell, Todd	1	12	2	\$ 1,112
9	Orosco, Jim	3	7	1	\$ 166
10	Pittman, Darryl	3	7	1	\$ 166
11	Saludes, Gabriel	26	12	3	\$ 299.50
12	Yepez, Juan	26	12	3	\$ 299.50
TOTALS					\$ 4,229.50